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October 21, 2002

VIA ELECTRONIC FILING

Ms. Marlene Dortch
Secretary
Federal Communications Commission
445 12th St., SW, Room TWB-204
Washington, DC 20554

Re: Notice of Ex Parte Contact
Joint Application by BellSouth Corporation, BellSouth
Telecommunications, Inc. and BellSouth Long Distance, Inc. for Provision
of In-Region, InterLATA Services in Florida and Tennessee
WC Docket No. 02-307

Dear Ms. Salas,

The attached testimony was provided to Josh Swift of the Wireline Competition Bureau at his request on Friday, October 18, 2002. Please include a copy in the record of the referenced proceeding.

One electronic copy of this Notice is being submitted to the Secretary of the FCC in accordance with Section 1.1206 of the Commission's rules.

Sincerely,

Jodi S. Sirotnak

Attachments

cc: Christine Newcomb
Josh Swift

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**REBUTTAL TESTIMONY OF
JEFFREY KING**

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

AND

MCI WORLDCOM, INC.

Docket No. 990649-TP

Revised September 12, 2000

1 **REBUTTAL TESTIMONY OF**
2 **JEFFREY KING**
3 **ON BEHALF OF**
4 **AT&T COMMUNICATIONS OF THE SOUTHERN STATES,**
5 **INC. AND**
6 **MCI WORLDCOM, INC.**
7 **DOCKET NO: 990649-TP**

8
9 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS**
10 **AND TITLE.**

11 A. My name is Jeffrey King and my business address is 1200
12 Peachtree Street, N.E., Atlanta, Georgia 30309. I am employed
13 by AT&T as a District Manager in the Local Services & Access
14 Management organization.

15 **Q. BRIEFLY OUTLINE YOUR EDUCATIONAL**
16 **BACKGROUND AND BUSINESS EXPERIENCE IN THE**
17 **TELECOMMUNICATIONS INDUSTRY.**

18 A. I received a Bachelor of Arts degree in Business Administration
19 with a concentration in Industrial Administration from the
20 University of Kentucky, Lexington, KY, in 1983. I joined
21 AT&T's Access Information Management organization in April
22 of 1986 developing and testing the ordering and inventory Access
23 Capacity Management System (ACMS) for electronically

1 interfacing High Capacity access orders with incumbent local
2 exchange carriers (ILECs). I worked closely with the Ordering &
3 Billing Forum (OBF) to insure industry standard specifications
4 were implemented and enforced by quality control edits to
5 maintain the integrity of the data. I joined the Integrated Access
6 Planning and Implementation organization in August of 1990 and
7 performed the national ACMS User Representative role for
8 implementing Business Unit requirements, enhancements,
9 Methods & Procedures, and training. This work function also
10 required subject matter expertise of the processes to plan,
11 provision and utilize special access circuits and facilities in order
12 to optimize the effectiveness of AT&T's operational support
13 systems (OSS) to manage these processes. I joined the Access
14 Management organization in December of 1992 and managed
15 customer/supplier relations on Interstate access price issues,
16 including access charge impacts and tariff, terms and conditions
17 analysis, with BellSouth Telecommunications, Inc. and Sprint
18 LTD. In addition, my responsibilities included ILEC cost study
19 analysis.

20 I began supporting AT&T's efforts to enter the local
21 services market with the implementation of the
22 Telecommunications Act of 1996. In particular, I support
23 AT&T's efforts to obtain cost-based non-recurring rates for

1 AT&T's requests of unbundled network elements (UNEs) from
2 ILECs by analyzing ILEC non-recurring cost studies and utilizing
3 the AT&T/MCI Non-Recurring Cost Model. I also interface with
4 subject matter experts ("SMEs") on the efficient processes and
5 practices of ordering and provisioning UNEs based on a least-
6 cost, forward looking telecommunications infrastructure. My
7 organization also supports the cost models, such as the HAI
8 Model, to develop the recurring costs (i.e., capital expenditure) to
9 efficiently support the telecommunications infrastructure.

10 Since July 1998 my additional responsibilities include
11 analyzing ILEC costs and recommending all cost-based prices
12 charged by ILECs. My responsibilities also include managing
13 access charges paid by AT&T to ILECs in the nine state
14 BellSouth territory. Specifically, I advocate cost-based rates for
15 access to the ILECs' networks for the purpose of originating and
16 terminating local and toll traffic. Indeed, UNEs comprise the
17 same elements of the telecommunications network as offered by
18 BellSouth, and other ILECs, for access services.

19
20 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

21 A. On behalf of AT&T and MCI WorldCom, Inc. I am presenting in
22 Exhibit JAK-1 a total summary of the Unbundled Network
23 Element (UNE) recurring and non-recurring rates recommended

1 for interconnection with BellSouth. I am also testifying on the
2 necessary modifications to the cost models of BellSouth in order
3 to produce competitively efficient non-recurring rates.

4 **Q. HOW IS YOUR TESTIMONY STRUCTURED?**

5 A. I address the following subjects:

6	RECOMMENDED UNE RATES FOR BELL SOUTH.....	4
7	COST MODELS	5
8	COST MODEL ASSUMPTIONS.....	5
9	NON-RECURRING COSTS.....	8

10

RECOMMENDED UNE RATES FOR BELL SOUTH

11

12 **Q. WHAT RECURRING AND NON-RECURRING RATES**
13 **(INCLUDING DEAVERAGED RECURRING LOOP**
14 **RATES WHERE APPROPRIATE) SHOULD BELL SOUTH**
15 **BE PERMITTED TO CHARGE?**

16 A. Exhibit JAK-1 contains a summary of the recurring and non-
17 recurring rates determined to better represent the ceiling for rates
18 that BellSouth should be permitted to charge Alternative Local
19 Exchange Carriers (ALECs) for the purpose of interconnecting
20 and providing competitive communication services to over 6.8M
21 Florida access lines.

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COST MODELS

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Q. WHAT COSTING MODEL WAS USED TO DEVELOP THE RECURRING AND NON-RECURRING RATES THAT AT&T AND MCI WORLDCOM ARE PROPOSING IN THIS PROCEEDING FOR BELL SOUTH?

A. AT&T and MCI WorldCom have chosen to use BellSouth's cost model to develop the UNE rates, including UNE combination rates, in this proceeding. Specifically I rely on the BellSouth Cost Calculator Version 2.3 filed by BellSouth in Docket No. 990649-TP and necessary modifications to the inputs and operation of that model.

COST MODEL ASSUMPTIONS

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Q. PLEASE DESCRIBE THE BASIS FOR THE RECOMMENDED CHANGES MADE TO BELL SOUTH'S COST MODEL?

A. Changes to BellSouth's cost studies are necessary in order to conform to non-discriminatory costing principles and efficient provisioning of the affected UNEs. I rely on a number of Subject Matter Experts (SMEs). The principal SMEs have also filed testimony in this proceeding:

- 1 • Witness Brian Pitkin analyzed the BellSouth
2 Telecommunications Loop Model[®] ("BSTLM") and the
3 BellSouth Cost Calculator[®] ("BSCC"). This is the first cost
4 proceeding in which BellSouth has introduced this study and,
5 as such, required extensive review. Many of the model's
6 modifications are already under consideration for future
7 BellSouth releases.
- 8 • Witness John Donovan provides technical support for least-
9 cost forward-looking network investment and design choices
10 of the telecommunications infrastructure, including the
11 capabilities of this network to be efficiently provisioned.
- 12 • Witness Cathy Pitts provides technical support on switching
13 costs.
- 14 • Witness Dr. Brenda Kahn addresses sub-loop UNEs. In
15 particular, she analyzes efficient access to multi-dwelling
16 units.
- 17 • Witness Greg Darnell addresses BellSouth's shared and
18 common costs, as well as the development of expense and
19 plant-specific cost factors. In addition, I am applying the
20 weightings sponsored by witness Darnell for the deaveraging
21 of BellSouth's recurring loop rates.
- 22 • Witness John Hirshleifer is recommending the cost of capital
23 input data.

- Witness Mike Majoros is recommending the depreciation input data.

Q. PLEASE DESCRIBE THE RECOMMENDED CHANGES MADE TO BELL SOUTH'S COST MODEL INPUTS AND ASSUMPTIONS?

A. In addition to the non-recurring analysis I discuss later, I recommend that you take note of the testimony filed by the witnesses previously mentioned to obtain greater detail of necessary cost model modifications and the sound logic for these modifications. Exhibit JAK-1 contains the total results of the proposed modifications. An electronic copy of BellSouth's modified cost models and the input files that were utilized to develop the recommended UNE rates is attached as Exhibit JAK-4 (BellSouth). Underlying themes include:

- Least-cost engineering design, including investment choices;
- Forward-looking, yet currently available and deployed, technology; and
- Non-discriminatory, including competitive efficiencies such as direct access to OSS and removal of workgroups and activities that the ILECs' own retail operations do not experience. In other words, ALECs must only incur costs which the ILEC would incur using a forward looking network

1 architecture and efficient OSS or else the ALEC is burdened
2 with an excessive barrier to entry and the ILEC has no
3 incentive to become efficient
4

5 **NON-RECURRING COSTS**

6 **Q. HOW DO NON-RECURRING RATES DIFFER FROM** 7 **RECURRING RATES?**

8 A. Non-recurring cost activities are those that only benefit the
9 ALEC requesting the elements. If the activity being performed is
10 a one-time activity, but has the potential to benefit future users of
11 a particular telecommunications facility, the costs of the activity
12 should be characterized as recurring. The cost of constructing a
13 loop is one such example. Proper allocation of one-time costs is
14 particularly important in a competitive environment where more
15 than one local exchange access carrier (including the Incumbent
16 LEC, Alternative LEC or Data LEC) may use a particular facility
17 at different points in that facility's lifetime. If all the forward-
18 looking costs of a one-time activity benefiting multiple users are
19 borne by the first telecommunications provider to use the facility,
20 then obviously the first user will be forced to pay more than its
21 fair share while subsequent users get a free ride.

22 Recurring rates recover the cost, including shared and
23 common cost, of the investment and expense necessary to install

1 and maintain a quality telecommunications network. These costs
2 are then capitalized and appropriately taxed to earn a competitive
3 return on the investment in order to derive the chargeable rates.
4

5 **Q. HOW ARE NON-RECURRING RATES DEVELOPED?**

6 A. The theory behind the development of a non-recurring cost model
7 is fairly simple. First, it is necessary to identify the non-recurring
8 actions required to provision unbundled network elements to
9 ALECs. Second, it is necessary to break down each action into
10 the detailed work activities that comprise each action, and
11 determine both the time necessary to complete these activities
12 and the associated labor rates. Finally, it is necessary to
13 determine, for each action, the probability that a particular work
14 activity will be required to provide the action.

15 The non-recurring cost of a particular action, then, is
16 simply the sum of the costs of each of the necessary work
17 activities, calculated as the product of (1) the required time, (2)
18 the labor rate, and (3) the probability of occurrence of each work
19 activity.
20

21 **Q. WHAT ARE THE NON-RECURRING COSTS FOR**
22 **BELLSOUTH?**

1 A. Non-recurring costs are the efficient, one-time costs associated
2 with establishing, disconnecting or rearranging unbundled
3 network elements purchased from an ILEC at the request of an
4 ALEC. The non-recurring cost components are (1) the required
5 time to perform a particular task, (2) the labor rate for each
6 affected work group that may perform tasks, and (3) the
7 probability of occurrence that each work activity is required on
8 any particular UNE provisioning order.

9 On average, manual worktimes should not differ
10 significantly between companies assuming efficient Operational
11 Support Systems (OSS) are in place. Probability of occurrence
12 for manual activities is mainly driven by two factors: (1) OSS
13 fallout and manual intervention and (2) additional work
14 associated with copper plant technology versus fiber plant
15 technology.

16
17 **Q. PLEASE DESCRIBE THE RECOMMENDED CHANGES**
18 **MADE TO BELL SOUTH'S NON-RECURRING COST**
19 **STUDIES?**

20 A. Exhibit JAK-3 displays the NRC input worksheets that were
21 modified. The affected worksheets also document the
22 assumptions used to adjust each cost study.

1 I have eliminated costs that have no justification in a
2 forward-looking network architecture and efficient provisioning
3 process. For example, BellSouth introduces unnecessary
4 workgroups and costs in the ALEC provisioning process, which
5 BellSouth's own retail operations do not incur. Such workgroups
6 as the Local Customer Service Center (LCSC) and the UNE
7 Center (UNEC)/Access Customer Advocate Center (ACAC) are
8 intermediary work groups not intended for efficient operations.
9 In other words, these workgroups are the middlemen.

10 I adjusted work times for certain work group activities.
11 Most of these changes entail consistent application of work times
12 between individual UNE studies covering similar work routines.

13 Fiber technology and the intelligent digital and optical
14 support equipment also provide for remote electronic access and
15 mechanized efficiencies for installing, disconnecting and re-
16 arranging UNE and UNE combinations. BellSouth has assumed
17 100% manual work by a host of work centers. For those work
18 groups that should be involved if an electronic mechanized order
19 were to "fall-out" of the provisioning process, I have assumed
20 BellSouth's affected work centers will be manually involved 10%
21 of the time.

22 Activities associated with manual assistance due to errors
23 in the network management systems and databases (Operational

1 Support Systems) are examples of activities that do not benefit
2 the customer. This is because efficiently managed systems do
3 not experience these errors. Most, if not all fallout from the OSS
4 is a result of mismatching data from one system to the other.
5 Maintaining the accuracy of these databases is a function of
6 normal day to day maintenance and is recovered through
7 recurring costs. Poorly maintained systems results in higher
8 recurring costs. Such manual activities are a function of
9 embedded inefficiencies, and result in costs for which ALECs
10 should not compensate an ILEC. Viewed another way, the
11 customer (ALEC) did not cause the error, they caused the ILEC
12 to discover the error and, therefore, should not be penalized
13 through additional charges.

14
15 **Q. DO YOU HAVE ANY ADDITIONAL CONCERNS WITH**
16 **THE GENERAL OPERATION OF THE BELL SOUTH**
17 **SPONSORED COST MODEL?**

18 A. Yes. In particular, BellSouth's cost model is not user friendly.
19 The Loop study requires hours and hours of CPU time to perform
20 its computations, not to mention the requirement of upgraded
21 state-of-the-art computer technology and software. Many
22 computations were found to be in error. Such errors range from
23 incorrect cell references to non-existent study references to hard

1 coding of input data to prevent proper sensitivity analysis. The
2 other rebuttal witnesses to this proceeding also point to input
3 assumption changes in order to account for network design and
4 technology mix flaws. My point is that the AT&T and MCI
5 WorldCom recurring and non-recurring rate proposals should
6 serve as a ceiling for rates because further investigation of the
7 model with all so-called fixes could very well produce lower
8 rates and enhance the viability of competition.

9
10 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

11 **A. Yes.**

**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

**SUPPLEMENTAL REBUTTAL TESTIMONY OF
JEFFREY KING**

ON BEHALF OF

AT&T COMMUNICATIONS OF THE SOUTHERN STATES, INC.

AND

MCI WORLDCOM, INC.

Docket No. 990649-TP

August 28, 2000

1 **SUPPLEMENTAL REBUTTAL TESTIMONY OF**

2 **JEFFREY KING**

3 **ON BEHALF OF**

4 **AT&T COMMUNICATIONS OF THE SOUTHERN**

5 **STATES, INC. AND**

6 **MCI WORLDCOM, INC.**

7 **DOCKET NO: 990649-TP**

8 **Q. PLEASE STATE YOUR NAME, BUSINESS**
9 **ADDRESS AND TITLE.**

10 A. My name is Jeffrey King and my business address is 1200
11 Peachtree Street, N.E., Atlanta, Georgia 30309. I am
12 employed by AT&T as a District Manager in the Local
13 Services & Access Management organization.

14 **Q. ARE YOU THE SAME JEFFREY KING THAT**
15 **FILED REBUTTAL TESTIMONY IN THIS**
16 **DOCKET?**

17 A. Yes.

18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. My testimony addresses the proposed revised cost studies
20 that BellSouth filed on August 16, 2000. AT&T and MCI
21 WorldCom continue to defend its previous Rebuttal
22 positions, including the rate proposals filed by AT&T and
23 MCI WorldCom on August 8, 2000, and have attempted to

1 apply those same sound assumptions to BellSouth's revised
2 cost studies.

3 **Q. WHAT COMPLICATIONS HAVE YOU**
4 **ENCOUNTERED WITH BELL SOUTH'S REVISED**
5 **COST STUDIES FILED AUGUST 16, 2000?**

6 A. In this proceeding, AT&T and MCI WorldCom have
7 chosen to use BellSouth's cost studies, with appropriate
8 revisions, to develop their UNE rate proposal, including
9 UNE combination rates, in this proceeding. Therefore, in
10 order to remain consistent, and in order to provide the
11 Commission an "apples to apples" comparison with the
12 rates proposed by BellSouth, we have endeavored to use
13 BellSouth's new Cost Calculator Version 2.4 to develop a
14 revised proposal for cost-based UNE rates. Unfortunately,
15 time has not allowed us to thoroughly review all of
16 BellSouth's revisions and their implications on network
17 design and forward-looking costing principles.

18 AT&T and MCI WorldCom witnesses spent many
19 hours modifying BellSouth's Cost Calculator Version 2.3
20 to properly estimate the appropriate prices for UNEs and
21 interconnection as proposed in our original testimony.
22 Unless otherwise noted by these witnesses in their Revised
23 Rebuttal testimony, we stand by the network design and

1 operational assumptions underlying our revisions to
2 BellSouth's original cost studies as described in our
3 Rebuttal Testimony. However, the applications of input
4 and methodology assumptions change when using Version
5 2.4 of BellSouth's Cost Calculator. As the Commission is
6 aware, it takes a good deal of time simply to run
7 BellSouth's cost studies. AT&T and MCI WorldCom have
8 not had sufficient time to incorporate all of their revisions
9 to BellSouth's new cost studies and to re-run the new
10 studies with those revisions in order to include a revised
11 rate proposal in this testimony.

12 As witnesses Pitkin and Donovan also point out,
13 with one minor exception, BellSouth did not address those
14 issues identified in Mr. Pitkin's meeting with BellSouth on
15 July 7, 2000, but instead used this re-filing opportunity as
16 an opportunity to substantially modify its cost studies,
17 inputs, non-recurring costs, and to file additional cost
18 studies. Based on statements made by BellSouth in Florida
19 and elsewhere, AT&T anticipated that BellSouth would
20 incorporate many of the suggestions made by Mr. Pitkin.
21 However, the vast majority of the revisions made by
22 BellSouth have nothing whatsoever to do with the
23 discussions with Mr. Pitkin concerning improvements to

1 BellSouth's cost studies. Indeed, it is especially troubling
2 that BellSouth included so many revisions that were not
3 included in those discussions, while at the same time failing
4 to include the vast majority of the revisions that were
5 discussed.

6 **Q. HAS BELL SOUTH INTRODUCED NEW UNE RATE**
7 **ELEMENTS AS A RESULT OF THEIR REVISED**
8 **COST STUDIES FILED AUGUST 16, 2000?**

9 A. Yes. BellSouth has introduced two "new" elements -- the
10 Universal Digital Channel ("UDC") and 2-wire DID Ports
11 to be used in combinations.

12 **Q. WHAT IS YOUR RATE RECOMMENDATION FOR**
13 **THE NEW UNE RATE ELMENTS PROPOSED BY**
14 **BELL SOUTH DUE TO ITS AUGUST 16, 2000,**
15 **REVISED FILING?**

16 A. The UDC is essentially an ISDN Loop. Until AT&T and
17 MCI WorldCom finish its analysis of BellSouth's Version
18 2.4 Cost Calculator, I recommend this Commission adopt
19 the recurring and non-recurring rates for the 2-W ISDN
20 Digital Grade Loop as proposed on August 8, 2000.

21 Witness Pitts addresses the 2-W DID Port. I am
22 proposing a recurring rate of \$3.46 as a placeholder based
23 on her recommendation and will file the final

1 recommendation upon completion of the analysis on
2 BellSouth's Version 2.4 Cost Calculator.

3 **Q. DO YOU ANTICIPATE THAT NON-RECURRING**
4 **RATES WILL CHANGE AS A RESULT OF**
5 **BELLSOUTH'S REVISED COST STUDIES?**

6 A. Possibly, but the analysis of BellSouth's revised non-
7 recurring cost studies also continues. Non-recurring costs
8 is an area in which BellSouth made a great deal of changes
9 to its cost studies, particularly the inputs used in those cost
10 studies, which have absolutely nothing to do with the
11 changes discussed by Mr. Pitkin with BellSouth. As
12 BellSouth witness Caldwell pointed out in her revised
13 Direct Testimony, "BellSouth reviewed all of the
14 nonrecurring inputs for all types of loops to ensure
15 consistency of work time estimates and the correctness of
16 the underlying assumptions." Part of the analysis I
17 performed on BellSouth's Version 2.3 Cost Calculator and
18 identified in my Rebuttal Testimony was consistent
19 application of similar work activities. BellSouth has
20 modified several inputs that affect this work analysis and
21 could result in changes to the non-recurring rates to be
22 proposed. Certain of BellSouth's proposed modifications,
23 however, will not affect a change in NRC rates as proposed

1 by AT&T and MCI WorldCom if the modification was for
2 a work group (e.g., the Local Customer Service Center) that
3 should not be considered under competitively-neutral, non-
4 discriminatory costing principles.

5 BellSouth also appears to have modified the
6 structure of its non-recurring cost studies. As I stated in my
7 rebuttal testimony "the non-recurring cost of a particular
8 action, then, is simply the sum of the costs of each of the
9 necessary work activities, calculated as the product of (1)
10 the required time, (2) the labor rate, and (3) the probability
11 of occurrence of each work activity." BellSouth's revised
12 studies now attempt to account for these variables. The
13 non-recurring rates I proposed on August 8, 2000 continue
14 to apply, however, as the adjustments I provided in Exhibit
15 JAK-3 also have accounted for these same variables.

16 I am also concerned that BellSouth has used this re-
17 filing opportunity to actually increase many of their costs,
18 and thus rates. For UNE elements such as the 2-W Voice
19 Grade Analog Loop (SL2), BellSouth has actually
20 introduced new provisioning variables that should not even
21 be considered in a proper forward-looking cost study.
22 Specifically, in addition to the routine work that BellSouth
23 claims a work group (e.g., the UNE Center) performs,

1 BellSouth has now included work times associated with
2 maintenance routines, such as escalations and jeopardies.
3 Recovery of any such work activity constitutes double cost
4 recovery (actually more, since BellSouth's maintenance
5 loading factor includes cost recovery and BellSouth has
6 recovered 3 more times within the non-recurring study
7 itself). BellSouth is openly admitting that each ALEC loop
8 order should include payment of a premium because that
9 UNE loop could be the one that BellSouth can not
10 provision on time and will require BellSouth to spend
11 additional man-power to resolve issues and satisfy
12 customer expectations. BellSouth can not be allowed to
13 create excessive barriers to competition by forcing its
14 competitors to pay for BellSouth inefficiencies.

15 **Q. HOW DO YOU RECOMMEND THIS COMMISSION**
16 **ADDRESS THE REVISED COST STUDIES FILED**
17 **BY BELL SOUTH ON AUGUST 16, 2000?**

18 A. AT&T and MCI WorldCom recommend that this
19 Commission either reject all evidence submitted by
20 BellSouth in its revised filing or allow us to make the
21 corrections identified in our rebuttal and supplemental
22 rebuttal testimony to address BellSouth's revised filings

1 and to address those issues we were mislead into believing
2 would be corrected in this revised filing.

3 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

4 A. Yes.